CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial statements
for the year ended 30 June 2017

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Municipal Entity
Parent Municipality (Controlling entity)	Sarah Baartman District Municipality (DC10)
Nature of business and principal activities	Promote socio-economic and infrastructural development in the Sarah Baartman District
Registered office	32 Govan Mbeki Ave Standard Bank Building Port Elizabeth 6001
Postal address	P O Box 318 Port Elizabeth 6000
Board of directors	L S Blouw (Chairperson) N Koeberg A Taai D Mgoduko
Accounting Officer	G M Mvoko
Preparer	The financial statements were internally compiled by: R N Lorgat
Auditors	Office of the Auditor-General

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the financial statements presented to the Municipal Council:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 9
Accounting Policies	10 - 22
Notes to the Financial Statements	23 - 37

Abbreviations

CDA	Cacadu Development Agency
DMA	District Management Area
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
SBDM	Sarah Baartman District Municipality

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the Entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Entity and places considerable importance on maintaining a strong control environment. To enable the Entity to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the financial year and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the spectrum. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Officer has reviewed the entity's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the Entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on page 4 to 37, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017 and signed hereunder.

Mr GM Mvoko
Accounting Officer
2017/08/31

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Receivables from exchange transactions	4	296,552	-
Receivables from non-exchange transactions	5	658,350	-
VAT receivable	6	30,532	40,429
Cash and cash equivalents	7	4,895,201	5,631,438
		5,880,635	**5,671,867**
Non-Current Assets			
Property, plant and equipment	8	91,225	107,185
Total Assets		**5,971,860**	**5,779,052**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	538,477	467,998
Unspent conditional grants and receipts	10	1,061,055	2,014,765
Provisions	11	155,596	378,893
		1,755,128	**2,861,656**
Total Liabilities		**1,755,128**	**2,861,656**
Total assets less liabilities		**4,216,732**	**2,917,396**
Net Assets			
Accumulated surplus		4,216,732	2,917,396
Total Net Assets		**4,216,732**	**2,917,396**

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		293,900	-
Other Revenue		10,450	-
Investment revenue	12	297,435	284,722
Total revenue from exchange transactions		**601,785**	**284,722**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	13	6,031,210	1,720,000
Total revenue		**6,632,995**	**2,004,722**
Expenditure			
Employee costs	14	(3,401,336)	(3,910,786)
Remuneration of board members	15	(151,837)	(101,336)
Depreciation and amortisation		(24,981)	(26,032)
Finance costs	16	(648)	(1,064)
Grants and subsidies paid	17	(878,648)	-
General Expenses	18	(876,210)	(789,100)
Total expenditure		**(5,333,660)**	**(4,828,318)**
Surplus (deficit) for the year		**1,299,335**	**(2,823,596)**
Attributable to:			
Controlling entity		1,299,335	(2,823,596)

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**5,740,992**	**5,740,992**
Changes in net assets		
Deficit for the year	(2,823,596)	(2,823,596)
Balance at 01 July 2016	**2,917,397**	**2,917,397**
Changes in net assets		
Surplus for the year	1,299,335	1,299,335
Balance at 30 June 2017	**4,216,732**	**4,216,732**

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Government grants and subsidies		4,500,000	1,720,000
Investment revenue		297,435	284,722
Other receipts		35,644	-
		4,833,079	2,004,722
Payments			
Employee costs		(3,558,996)	(3,533,605)
Cash paid to suppliers		(878,648)	-
Other payments		(1,122,651)	(286,856)
		(5,560,295)	(3,820,461)
Net cash flows from operating activities	19	**(727,216)**	**(1,815,739)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(9,021)	(14,999)
Net (decrease) / increase in cash and cash equivalents		**(736,237)**	**(1,830,738)**
Cash and cash equivalents at the beginning of the year		5,631,438	7,462,176
Cash and cash equivalents at the end of the year	7	**4,895,201**	**5,631,438**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Investment revenue	275,000	-	275,000	-		275,000	297,435		22,435	108 %	108 %
Transfers recognised - operational	6,750,000	534,765	7,284,765	-		7,284,765	6,031,210		(1,253,555)	83 %	89 %
Other own revenue	2,518,500	-	2,518,500	-		2,518,500	304,350		(2,214,150)	12 %	12 %
Total revenue (excluding capital transfers and contributions)	**9,543,500**	**534,765**	**10,078,265**	**-**		**10,078,265**	**6,632,995**		**(3,445,270)**	**66 %**	**70 %**
Employee costs	(5,030,000)	-	(5,030,000)	-	-	(5,030,000)	(3,401,336)	-	1,628,664	68 %	68 %
Remuneration of board members	(108,000)	-	(108,000)	-	-	(108,000)	(151,837)	-	(43,837)	141 %	141 %
Depreciation and asset impairment	(25,000)	-	(25,000)			(25,000)	(24,981)	-	19	100 %	100 %
Finance charges	-	-	-	-	-	-	(648)	-	(648)	-	-
Transfers and grants	(1,480,000)	(534,765)	(2,014,765)	-	-	(2,014,765)	(878,648)	-	1,136,117	44 %	59 %
Other expenditure	(2,900,500)	-	(2,900,500)	-	-	(2,900,500)	(876,210)	-	2,024,290	30 %	30 %
Total expenditure	**(9,543,500)**	**(534,765)**	**(10,078,265)**	**-**	**-**	**(10,078,265)**	**(5,333,660)**	**-**	**4,744,605**	**53 %**	**56 %**
Surplus/(Deficit)	**-**	**-**	**-**	**-**		**-**	**1,299,335**		**1,299,335**		
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**1,299,335**		**1,299,335**		
Capital expenditure and funds sources											
Total capital expenditure	(50,000)	-	(50,000)	-		(50,000)	(14,999)		35,001	30 %	30 %
Sources of capital funds											
Internally generated funds	50,000	-	50,000	-		50,000	-		(50,000)	- %	- %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	75,000	-	75,000	-		75,000	(727,216)		(802,216)	(970)%	(970)%
Net cash from (used) investing	(50,000)	-	(50,000)	-		(50,000)	(9,021)		40,979	18 %	18 %
Net increase/(decrease) in cash and cash equivalents	**25,000**	**-**	**25,000**	**-**		**25,000**	**(736,237)**		**(761,237)**	**(2,945)%**	**(2,945)%**
Cash and cash equivalents at the beginning of the year	5,631,438	-	5,631,438	-		5,631,438	5,631,438		-	100 %	100 %
Cash and cash equivalents at year end	**5,656,438**	**-**	**5,656,438**	**-**		**5,656,438**	**4,895,201**		**761,237**	**87 %**	**87 %**

The actuals presented are on a comparable basis. Refer to Note 36 for explanations on material variances.

Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act 56 of 2003.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation of currency

These financial statements are presented in South African Rand. All amounts are rounded to the nearest rand.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Basis of Preparation

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the International Financial Reporting Standard (IFRS) and the International Public Sector Accounting Standards (IPSAS), where applicable, in terms of Directive Five including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies have been applied to ensure that the financial statements provide information that is relevant to the decision-making needs of users and are reliable.

Basis of measurement

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

Accounting Policies

1.3 Basis of Preparation (continued)

Estimates and judgements are made to identify impairments required to be made to assets. The condition of the assets are assessed together with the use of the asset to determine whether an impairment is required.

The useful life of an asset is reviewed annually and management assess the condition and the usefulness of the asset at each reporting date to determine the remaining useful life of the assets.

Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

1.4 **Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Initial measurement

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Property, plant and equipment (continued)

Depreciation

Property, plant and equipment is depreciated on the straight line basis over its expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

On acquisition of items of property, plant and equipment, the useful lives are assessed as follows:

Item	Average useful life
Furniture and fixtures	7 - 15 years
Office equipment	2 - 10 years
Computer equipment	2 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The residual values and useful lives of each assets is assessed using an indicator approach which is based on the condition of the assets in relation to the age of the assets.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or loss unless it is included in the carrying amount of another asset.

Impairment

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

Where there is an impairment, the depreciation charge will be adjusted in accordance with the revised useful life and residual value of the asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains and losses

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 **Provisions**

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the provision. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22 and 23.

Accounting Policies

1.6 Receivables from exchange and non-exchange transactions

Receivables are classified as "Financial assets at amortised costs" and are initially recognized at fair value plus / minus transaction costs. Subsequent measurement is at amortised value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified based on an assessment on the recoverability of the receivable. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.7 Payables from exchange and non-exchange transactions

Payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised value.

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.8 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Typical exchange transactions are the purchase or sale of goods or services based on market prices.

Interest is recognised using the effective interest rate and rentals are recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.9 **Revenue from non-exchange transactions**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Donations are recognised on a cash receipt basis, or where the donation is in the form of property, plant and equipment, at the cost of the consideration received or receivable.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act no. 56 of 2003) and is recognised when the recovery thereof from the responsible officials is virtually certain.

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

1.10 **Grants, transfers and donations**

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised. Revenue is recognised and the liability decreased as the conditions associated with the grant is met.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Accounting Policies

1.11 **VAT**

The entity accounts for Value Added Tax on the invoice basis.

The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

VAT is submitted on a bi-monthly basis.

Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost if material.

Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

1.12 **Segmental information**

The principal segments have been identified on a primary basis by classification of the revenue and expenditure and on a secondary basis by the classification of service of operations. The secondary basis is representative of the internal structure for both budgeting and management purposes.

The policy is not applicable to the current year.

1.13 **Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 **Irregular expenditure**

Irregular expenditure as defined in section 1 of the MFMA, means expenditure incurred by a municipality in contravention of, or that is not in accordance with requirements of the following Acts or Regulation, and which has not been condoned:

- Municipal Finance Management Act
- Municipal Systems Act
- Public Office-Bearers Act
- Municipal Supply Chain Management Regulations or related by-laws

The irregular expenditure excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Accounting Policies

1.14 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned / written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.15 **Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 **Comparative information**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 **Finance costs**

Finance costs are recognised as an expense in the period in which they are incurred.

1.18 **Financial instruments**

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or loss, which shall not be classified out of the fair value through surplus or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

Accounting Policies

1.18 Financial instruments (continued)

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an residual interest instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

Impairment losses are recognised by reducing the asset.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Cash and cash equivalents

Cash includes cash on hand and cash held at banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents are classified as "Financial asset at amortised cost" and are initially measured at fair value plus / minus transaction costs. Subsequent measurement is at face value or, if material, at amortised cost.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition:

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Accounting Policies

1.18 Financial instruments (continued)

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.19 **Unutilised conditional grants and receipts**

Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised at cost as unspent conditional grants.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The unspent grant is classified as "Financial liabilities at amortised cost".

Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

1.20 **Events after reporting date**

Management conducts an assessment on any events occurring subsequent to the end of the reporting date and prior to the finalisation of the financial statements to identify any incidents that would provide the user with additional information that could influence decision-making and the usefulness of the financial statements. This information is then disclosed accordingly in the financial statements.

1.21 **Effective interest rate**

The entity uses the prime interest rate less 0.5% to discount future cash flows.

Accounting Policies

1.22 **Capital commitments**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects at the reporting date that will be incurred subsequent to the reporting date. The capital commitment disclosed identifies awards entered into by the municipality against the capital projects as well as a commitment upon approval of a budget for a capital project.

1.23 **Budget information**

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting.

Budget variances of 10% and more is condidered material and explanation thereof is provided for in the notes to the financial statements.

1.24 **Related parties**

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

All transactions with related parties are disclosed.

Accounting Policies

1.25 **Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.26 **Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Entity as a lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Where the assets are not owned by the entity, an agreements giving the right to use the assets are in place. The assets will not be included in property, plant and equipment in the statement of financial position and will not be depreciated by the entity.

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Accounting Policies

1.26 Leases (continued)

Entity as the lessee

Leases in terms of which the entity assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

Notes to the Financial Statements

Figures in Rand	2017	2016

2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

3. New standards and interpretations

3.1 Standards and interpretations effective in the current year

In the current financial year, the entity has adopted all the following standard that is effective for the current financial year and that may be relevant to its operations.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18: Segment reporting	To be determined	The effects on the financial statements are limited i the standard is being implemented. However, the effective date for entities is to be determined by the Minister of Finance.

4. Receivables from exchange transactions

Trade debtors	296,552	-

Receivables from exchange transactions past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 125,970 (2016: R -) were past due but not impaired.

The difference between the amount below and the amount disclosed here relate to receivables that are not yet past due.

The ageing of amounts past due but not impaired is as follows:

3 to 6 months	125,970	-

Receivables from exchange transactions impaired

As of 30 June 2017, there were no receivables from exchange transactions impaired and provided for.

The total receivables from exchange transactions is owed by Progress Flight Academy for the utilisation of runways 16/34, 12/30 two hangars and the terminal building at the Somerset East aerodrome. The lease agreement is for a period of 9 years and 364 days and this is the first year of the agreement.

Management has considered the impairment of the amount past due by considering the new agreement entered into as well as the circumstances of the debtor and can confirm that the debtor will pay the outstanding balance in the new financial year. Therefore, no impairment was raised.

Notes to the Financial Statements

Figures in Rand	2017	2016

5. Receivables from non-exchange transactions

Government grants and subsidies	658,350	-

Receivables from non-exchange transactions past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 658 350 (2016: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 to 6 months	219,450	-
over 6 months	438,900	-

Receivables from non-exchange transactions impaired

As of 30 June 2017, there were no receivables from non-exchange transactions impaired and provided for.

The total receivables from non-exchange transactions is owed by the Blue Crane Route Municipality. This amount is for an implementation fee that was agreed upon between the municipality and the entity when absorbing a Programme Manager on the disestablishment of the Blue Crane Development Agency.

The amount budgeted was R770 000 and invoiced in quarterly instalments. The Programme Manager however resigned effectively on 31 March 2017. Therefore, only three quarterly instalments were invoiced. The full amount is still outstanding.

Management has considered the impairment of the amount past due by considering the new agreement entered into and can confirm that the debtor will pay the outstanding balance in the new financial year. Therefore, no impairment was raised.

6. VAT receivable

Value added taxation	30,532	40,429

VAT is accounted for on the invoice basis.

No discounting was performed.

Notes to the Financial Statements

Figures in Rand	2017	2016

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,074	643
Bank balances	4,894,127	5,630,795
	4,895,201	**5,631,438**

The entity has the following bank accounts at ABSA Limited, William Moffet, Port Elizabeth:

Current Account (Primary account):	40-8134-2536
Call Account:	92-8612-7645

Cash and cash equivalents are classified as a financial asset under Loans and Receivables at amortised cost. All short-term deposits mature within 3 months after the reporting date.

No discounting was performed due to the short term nature of the cash turnover and the fact that all Call account deposits earned interest.

No cash deposits were ceded as collateral and there are no restrictions on cash.

Notes to the Financial Statements

Figures in Rand

8. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	87,541	(36,676)	50,865	87,541	(30,250)	57,291
Office equipment	3,750	(2,137)	1,613	3,750	(1,604)	2,146
Computer equipment	95,218	(56,471)	38,747	86,197	(38,449)	47,748
Total	**186,509**	**(95,284)**	**91,225**	**177,488**	**(70,303)**	**107,185**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	57,291	-	(6,426)	50,865
Office equipment	2,146	-	(533)	1,613
Computer equipment	47,748	9,021	(18,022)	38,747
	107,185	**9,021**	**(24,981)**	**91,225**

Notes to the Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	64,352	-	(7,061)	57,291
Office equipment	2,702	-	(556)	2,146
Computer equipment	51,164	14,999	(18,415)	47,748
	118,218	**14,999**	**(26,032)**	**107,185**

Pledged as security

No assets were pledged as security during the current and prior year.

Other information

The fixed asset register is available at the Cacadu District Development Agency office for inspection.

Notes to the Financial Statements

Figures in Rand	2017	2016

9. Payables from exchange transactions

Trade payables	120,752	114,815
Employee costs	89,853	90,530
Accrued leave pay *	327,872	262,653
	538,477	**467,998**

* Not financial liabilities.

Normal terms of payment is 30 days and no amortisation was calculated.

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Sarah Baartman District Municipality grants	1,055,870	1,480,000
Dakawa Project Grant	5,185	534,765
Long-term unspent conditional grants	**1,061,055**	**2,014,765**

There were no conditional grants received during the current year.

The following conditional grant was received during the prior year:

Dakawa Project Grant R 534 765

The conditions of these grants were not met at the reporting date as the projects are still in progress.

11. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	378,893	155,596	(71,528)	(307,365)	155,596

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	159,180	378,893	(106,339)	(52,841)	378,893

Performance bonus provision

The performance bonus is based on performance of the chief executive officer and the programme managers and is dependent on the outcome of the performance reviews and the board's approval.

In the prior year, a performance bonus paid was only paid to the chief executive officer.

Notes to the Financial Statements

Figures in Rand	2017	2016

12. Investment revenue

Interest revenue		
Current account	99	119
Call account	297,336	284,603
	297,435	**284,722**

Interest was earned on the Call account at an average rate of 5.97% during the year.

13. Government grants and subsidies

Blue Crane Route Municipality	577,500	720,000
Dakawa Project Grant	467,976	-
SBDM Grant - Investor Conference	410,672	-
SBDM Grant - Operations	4,500,000	1,000,000
VAT claimed on Conditional Grants	75,062	-
	6,031,210	**1,720,000**

Unconditional grants and subsidies

The above grant received from Sarah Baartman District Municipality was an operational grant and was approved by the Council of the municipality and the Board of Directors of the entity.

The grant received from Blue Crane Route Municipality was in accordance with an agreement entered into with the municipality upon the disestablishment of the Blue Crane Development Agency. This grant is received as an implementation fee for absorbing specific personnel and the finalisation of the disestablished Agency's projects that were transferred to the Cacadu Development Agency.

The following grants are conditional grant and reflect the conditional grant expenditure:

- Dakawa Project Grant
- SBDM Grant - Investor Conference

The input VAT claimed on conditional grant expenditure is recognised as revenue.

Conditional grants received	953,710	-
Unconditional grants received	5,077,500	1,720,000
	6,031,210	**1,720,000**

Notes to the Financial Statements

Figures in Rand	2017	2016

14. Employee costs

Remuneration of employees	3,137,797	3,181,298
Performance bonus provision charge	(151,770)	326,052
Unemployment insurance fund	6,692	7,139
Skills development levies	29,531	29,406
Leave pay provision charge	122,002	128,851
Acting allowances	257,084	238,040
Total Employee Costs	**3,401,336**	**3,910,786**

Set out below are the details for remuneration paid to the following:

Remuneration of Chief Executive Officer

Annual remuneration	938,797	888,373
Car allowance	120,000	120,000
Performance bonus	71,528	106,339
Travel re-imbursement	-	4,642
	1,130,325	**1,119,354**

Mr GM Mvoko was appointed as the Chief Executive Officer on the 1 July 2013 for a period of 2 years. The CEO's contract was extended for a further 2 years.

15. Remuneration of board of directors

L S Blouw	31,500	17,500
N Koeberg	26,400	16,200
A Taai	19,500	10,500
D Mgoduko	16,500	9,000
Travel and accomodation	57,937	48,136
	151,837	**101,336**

16. Finance costs

Late payment of tax	648	1,064

Refer to Note 20 - Unauthorised, Irregular, Fruitless and Wasteful expenditure.

17. Gants and subsidies paid

Dakawa Project Grant	467,976	-
SBDM Grant - Investors Conference	410,672	-
	878,648	**-**

Notes to the Financial Statements

Figures in Rand	2017	2016

18. General expenses

Advertising	30,320	15,315
Audit Committee remuneration	65,928	50,002
Audit fees - external	168,445	212,064
Audit fees - internal	273,952	116,727
Bank charges	4,899	3,735
Catering	14,440	12,827
Fines and penalties	19,116	13,001
IT expenses	63,296	23,638
Printing and stationery	1,296	17,189
Project costs	15,000	140,321
Subscriptions	-	11,974
Telephone and fax	69,967	48,678
Training and development	10,340	6,000
Travel - local	139,211	117,629
	876,210	**789,100**

19. Cash generated from (used in) operations

Surplus (deficit)	1,299,335	(2,823,596)
Adjustments for:		
Depreciation	24,981	26,032
Contributions to provisions	(223,297)	219,713
Changes in working capital:		
Receivables from exchange transactions	(296,552)	-
Receivables from non-exchange transactions	(658,350)	-
Payables from exchange transactions	70,480	244,894
VAT receivable	9,897	(17,547)
Unspent conditional grants and receipts	(953,710)	534,765
	(727,216)	**(1,815,739)**

Notes to the Financial Statements

Figures in Rand	2017	2016

20. Financial instruments - financial assets by category

Financial instruments are classified into the following categories:

Financial assets: At amortised cost

Financial liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilites assumed

2017

	Financial assets at amortised cost	Total
Receivable from exchange transactions	201,552	201,552
Receivables from non-exchange transactions	658,350	658,350
Cash and cash equivalents	4,895,201	4,895,201
	5,755,103	**5,755,103**

2016

	Financial assets at amortised cost	Total
Cash and cash equivalents	5,631,438	5,631,438

21. Financial instruments: financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Financial liabilities at amortised cost	Total
Unspent conditional grants and receipts	1,061,055	1,061,055
Payables from exchange transactions	211,700	211,700
	1,272,755	**1,272,755**

2016

	Financial liabilities at amortised cost	Total
Unspent conditional grants and receipts	2,014,765	2,014,765
Payables from exchange transactions	205,345	205,345
	2,220,110	**2,220,110**

Figures in Rand	2017	2016

22. Contingent liabilities

There were no contingent liabilities that require disclosure at the reporting date.

23. Contingent assets

There were no contingent assets that require disclosure at the reporting date.

24. Unauthorised, irregular, fruitless and wasteful expenditure

Fruitless and Wasteful expenditure

Opening balance	42,525	28,460
Add: Fruitless and wasteful expenditure - current year	19,764	14,065
Less: Amounts condoned / written off	(62,289)	-
	-	**42,525**

Unauthorised expenditure

No unauthorised expenditure was incurred in the current and prior year.

Fruitless and wasteful expenditure

Current year

The entity has incurred an amount of R19 116 in penalties and R648 in interest on late submission of South African Revenue Services (SARS) returns.

Prior year

The entity has incurred an amount of R13 001 in penalties and R1 064 in interest on late submission of South African Revenue Services (SARS) returns.

An investigation was performed to determine whether an official should be held responsible for the fruitless and wasteful expenditure incurred during both the current and prior year. The Board has resolved that the amount be written off / condoned.

Irregular expenditure

Refer to Note 28

25. Additional disclosure in terms of Municipal Finance Management Act

External Audit fees

Opening balance	11,989	-
Prior year audit fee	153,446	229,763
Current year audit fee	14,999	11,989
Amount paid	(165,435)	(229,763)
	14,999	**11,989**

PAYE, UIF and SDL

Opening balance	90,530	61,913
Current year payroll deductions	1,071,246	927,123
Amount paid - current year	(1,070,828)	(898,506)
	90,948	**90,530**

Figures in Rand	2017	2016

25. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	30,532	40,429

26. In-kind donations and assistance

No donations have been made in the current and prior year.

27. Risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The following table details the entity's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

At 30 June 2017	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	211,703	-	-	-
At 30 June 2016	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	205,345	-	-	-

Interest rate risk

The current account and the call account expose the entity to an interest rate risk on cash flows. Deposits attract interest at a rate that varies according to the prime banking rate.

The entity manages this interest rate risk by ensuring that all surplus funds are transferred to the call account and by maintaining the minimum possible balance in the current account.

Credit risk

Credit risk consists mainly of cash equivalents. The entity only holds cash with banks which have an equity above R10 billion with a good credit rating.

Trade receivables comprise a minimal customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

28. Events after the reporting date

Management is not aware of any events after the reporting date.

29. Commitments

The entity has not entered into any contracts nor has the entity made any awards that has resulted in any capital commitments during the year.

Notes to the Financial Statements

Figures in Rand	2017	2016

30. Related parties

Sarah Baartman District Municipality

The municipality holds 100% shareholding in the entity and is therefore the Parent Municipality. The Cacadu District Development Agency was legally formed in September 2012. The municipal entity commenced operations on 1 July 2013.

Current year transactions:

Grant to fund operations - R4 500 000

Prior year transactions:

Grant to fund operations - R1 000 000

There were no other transactions between the municipality and the entity during the current and prior year.

Board members and employees

Board members and the employees have declared no interest or gain in or from any transaction entered into with the entity by any organisation or business.

The following interests in institutions have been declared, but no transactions have been entered into:

Staff member / Board members	Entity Name	Transactions
Mr LS Blouw	Nojoli Development Corporation	None
Ms N Koeberg	Chris Hani Development Agency	None
Mrs D Mgoduka	Doreen Mgoduka Attorneys	None
Mr A Taai	Flourisent Trading t/a Kowie Bus Service	None

Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly: Chairperson of the Board, Board members and Chief Executive Officer.

Figures in Rand	2017	2016

31. Standards of GRAP issued but not yet effective

The following standards have been issued but are not yet effective:

GRAP 20:	Related Party Disclosures
GRAP 32:	Service Concession Agreements - Grantor
GRAP 34:	Seperate Financial Statements
GRAP 35:	Consolidated Financial Statements
GRAP 36:	Investments in Associates and Joint Ventures
GRAP 37:	Joint Arrangements
GRAP 38:	Disclosure of interest in other entities
GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents
GRAP 110:	Living and Non-Living Resources

In accordance with the manner in which the entity operates, the application of GRAP 20, GRAP 34 and GRAP 108 is not expected to have a major impact on the accounting procedures and disclosures as the standard is partially applied and the information is readily available.

The other standards will not have an impact on the entity unless the entity enters into agreements which will require the standards to be applied.

32. Irregular expenditure

Opening balance	91,337	259,637
Add: Irregular Expenditure - current year	-	91,337
Less: Amounts condoned / written off	(91,337)	(259,637)
	-	**91,337**

Details of irregular expenditure

-

Travel bid of parent municipality was utilised in terms of the supply chain management regulations. However. the parent municipality reflects the expenditure incurred on this bid as irregular due to non-compliance with the regulations.	-	82,242
No tax clearance certificate obtained from service provider when deviating from supply chain management processes	-	9,095
	-	**91,337**

33. Deviations

Reason	No. of incidents		
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	2	54,426	119,079
Only available from a single provider	2	13,601	-
		68,027	**119,079**

Notes to the Financial Statements

Figures in Rand	2017	2016

34. Change in estimate

Property, plant and equipment

The entity has reassessed the useful lives and residual values of property, plant and equipment which resulted in the remaining useful lives of certain items' either being reduced or increased based on the condition of the assets. The residual values of these assets have been reassessed and adjusted accordingly. The effect of the change in accounting estimate has resulted in a decrease in depreciation amounting to R 3,994 for the current period and R 516 in the prior year. The effect on future periods could not reasonably be determined.

35. Budget differences

Material differences between budget and actual amounts

Investment revenue

The excess of actual investment revenue over the final budget of 8% was due to the increase in the interest rates received on investments during the year.

Transfers recognised - operational

The variance of 17% is due to the conditional grant revenue being recognised during the year up to the amount expended. The projects funded by conditional grants are still in progress.

Other own revenue

Based on the principles of budgeting, this area is utilised to fund the budget of the entity and therefore the budgeted amount is high. The total amount budgeted relates to the amount funded from accumulated surplus. There actual other revenue was accrued in terms of rental received and tender deposits.

Employee costs

The variance of 32% is mainly due to the vacant positions on the organogram of the entity. The entity filled the vacancy of the third programme manager in the prior year but the post became vacant again during year as the progranmme manager resigned. The other vacancies can only be filled upon the finalisation of the funding arrangement of the entity by the Parent Municipality.

Remuneration of board members

The variance of 41% was due to only 4 board meetings budgeted for. Other meetings which required the board members to attend were not budgeted for. Also, the travel and accomodation for the board members was higher than expected as a result of the additional meetings attended by the board members.

Transfers and grants

The variance of 56% is mainly due under-spending on the projects funded by conistional grants. The projects has commenced and are in progress.

Other expenditure

The expenditure variance of 70% was mainly due to the entity incurring marginal expenditure on planning and feasibility studies. The planning and feasibility studies budget was an estimate in accordance with the intended planning budget on the projects. The actual expenditure could be avoided where no co-funding on a project was required or where other measures were implemented to achieve the same outcome.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

ANNUAL PERFORMANCE REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Strategic Objectives	Strategy	Nr	Key Performance Indicator	Annual Target	Actual Achieved	State if Project is Complete, On Target, Not On Target, Not Started, Discontinued	Actual & reason for variance	State Brief Plan of Action to address Projects Not On Target and Not Started
To facilitate the establishment of an industrial park to attract new investment to the Blue Crane Town of Somerset East by 2020 and beyond. (Full Cycle Development Project)	By lobbying support from government departments for funding to develop the Industrial Park in the town of Somerset East	1	Secure funding for the Somerset East Industrial Park	Funding secured for Somerset East Industrial Park	Funding secured in Quarter 2 of 2016/17	On Target	Meeting held on the 9th of June 2017 at Somerset East between CDA & ECDC (Government Project Managers) to discuss the way forward to implement the construction of services at the Industrial Park, Somerset East.	Not applicable
	By assisting the Wind Tower Manufacturing factory to establish and operate on the Somerset East industrial Park	2	Establish a work committee for the Wind Tower Factory between CDA and the contractors	Establishment of the Work Committee for the WT Factory	Work Committee for the Wind Tower Factory between CDA and the contractors completed	On Target	Not applicable	Not applicable
To facilitate the establishment of a waste-to-energy project at the Industrial park by sourcing potential investors and then to facilitate the process up to bankable stage (Facilitation Project)	By establishing a Project Technical Action Committee, between the selected officials of the Makana Municipality, CDA and members of the Service Providers for the development of the waste-to-energy project in Grahams town, and to facilitate the project into completion of the bankability phase	3	Establishing a Project Technical Action Committee for Waste to Energy projects in Makana	Project Technical Action Committee for the project successfully established and the project to advance into the bankability stage	Project Technical Action Committee for the project successfully established for Makana	On Target	Meeting held on the 29th of June 2017 at Grahamstown between CDA, Makana Municipality, Powerx and BCGE to discuss the way forward to process the gathering of information for the final energy report for the municipality.	Not applicable
	By establishing a Project Technical Action Committee, between the selected officials of the Blue Crane Municipality and members of the Service Providers for the development of the waste-to-energy project in Somerset East, and to facilitate the project into completion of the fund sourcing phase	4	Establishing a Project Technical Action Committee for Waste to Energy projects in Blue Crane (Construction)	Project Technical Action Committee for the project successfully established and the project to advance into the construction phase	Project Technical Action Committee for the project successfully established for Blue Crane Route	On Target	Meeting held on the 28th of June 2017 at Somerset East between CDA, Blue Crane Route Municipality, Powerx and BCGE to discuss the way forward to process the gathering of information for the final energy report for the municipality.	Not applicable
To commercialize the "Greening of natural fibres" through facilitating of a joint project with a commercial investor (Facilitation Project)	By assisting with the pre-feasibility stage (climate study) as well as to appoint a Service Provider to draft a study on the 1- natural green fibre accreditation of farmers in the SBDM 2- needs analysis to develop a specialized green processing / manufacturing facility in the SBDM	5	Managing the Greening of the Natural Fibres project(completing the climate change study, appointment of a service provider for the industrialisation of the project)	Completion of the climate change study and completion of industrialisation done	Completion of the climate change study and completion of industrialisation done through the appointment of a service provider.	On target	The completion of the climate change study was completed. Service provider for the Industrialisation appointed.	Not applicable
To facilitated the local communities interest in the R335 road development project (Facilitation Project)	By ensuring that the local communities will benefit from the R335 road development project that will link the towns of Somerset East and Addo	6	Facilitate the local beneficiation in the BCR and SRV municipalities for the R335 road project	To successfully facilitate the participation of the local communities in the development of the R335 road	Successfully facilitated the participation of the local communities in the development of the R335 road. 8 site meetings held with contractors and communities.	On target	Site Meetings with project development team (inclusive of contractors), on the 11th April, 9th of May and 13th of June 2017 at the project site camp in Bracefield. The local communities participation forms part of the site meetings.	Not applicable

Strategic Objectives	Strategy	Nr	Key Performance Indicator	Annual Target	Actual Achieved	State if Project is Complete, On Target, Not On Target, Not Started, Discontinued	Actual & reason for variance	State Brief Plan of Action to address Projects Not On Target and Not Started
To facilitated the local communities interest in the Peace Monument project (Facilitation Project)	By ensuring that the local communities of the Sundays River Municipality benefit from the Peace Monument development project	7	Facilitate the local beneficiation in the SRV municipality for the Heritage Monument project	To successfully facilitate the participation of the local communities in the construction of the Heritage Monument project	Successfully facilitated the participation of the local communities in the construction of the Heritage Monument project. 7 meetings held with contractors and communities.	On target	Site Meetings with project development team (inclusive of Contractors) on the 26th May 2017 at the site camp, Zuurberg Addo. The local communities paricipation forms part of the site meetings.	Not applicable
To ensure the successful development of the Boschberg Tourism Project that will enable the growth of the Tourism sector in BCRM by 2020 and beyond (Facilitation Project)	By facilitating the commercialization of the Boschberg Tourism Hub as a section of the Boschberg Tourism project located in the BCRM	8	Commercializing the Tourism hub section of the Boschberg Project located in the BCRM	Commercialisation of the Tourism Hub of the Boschberg project	Commercialisation of the Tourism Hub of the Boschberg project was not achieved.	Not on target	Commercialisation of the Tourism Hub of the Boschberg project was not achieved as the CDA went out for calls for project proposals and no interest was received.	Engagements will be held with the municipality's Economic Development Unit to identify SMME's to occupy the Tourism Hub.
By developing a Macro Tourism Development Project for the Khoisan in the SBDM (Full cycle Development Project)	To develop a Macro Tourism Development Project for the Khoisan in the SBDM (Full cycle Development Project)	9	Draft terms of reference to source funding for the drafting of a Business Plan for the First People's project	Business Plan completed	Business Plan completed	On Target	The CDA met Dr. Spitz from the Goethe Institute on the 26th of April in Johannesburg and the Fund sourcing document was submitted. Further correspondence and follow ups via e-mail was communicated between CDA and the German Embassy, which was identified as a potential funding institution.	Not applicable
By facilitating the upgrading of the Dakawa project infrastructure in the Makana Municipality	To facilitate the upgrading of the Dakawa project infrastructure in the Makana Municipality	10	Upgrade the Dakawa buildings in the Makana Municipality	Renovation of the Dakawa buildings	Renovation of the Dakawa buildings completed	On Target	The project was completed in Quarter 3	Not applicable
Building local and regional networks and collaboration through the creation of partnerships with (a) government, (b) the private sector and (c) education / research.	Building investor and local business partnerships	11	Facilitate the holding of an Investor Conference	Investor Conference held	Investor Conference held	On Target	The conference held on the 30th/ 31st of May 2017 at Mentorskraal, Jefferiesbay. The analysis report was drafted in June 2017.	Not applicable

Strategic Objectives	Strategy	Nr	Key Performance Indicator	Annual Target	Actual Achieved	State if Project is Complete, On Target, Not On Target, Not Started, Discontinued	Actual & reason for variance	State Brief Plan of Action to address Projects Not On Target and Not Started
To sustain and grow a vibrant agricultural sector in SBDM by 2020	Establishment of an Agri-Park in the Sundays River municipality, for the benefaction of primary agricultural product of the entire SBDM region	12	Establishment of an Agri-park in the Sundays river municipal area	Agri-Park Established	Agri-Park not established	Not on Target	Project not on target and goals not achieved. DAMC Meetings were held on the 4th, 25th May & 28th of June 2017 in Port Elizabeth on the progress of the Agripark hub, to propose projects and financing of the Agripark. Projects identified: Feed Factory Cookhouse, KK113 Citrus Project in Addo, Anhati Oils for Ndlambe, Crop and meat production for Makana, Egg project for Kouga, Honey-Bush Tea Koukamma and Packhouse for Misgund.Progress reports on Farmer Project Support unit centres were given. The reason for not meeting annual target was because of the fact that the DRDLR is in negotiations with the beneficiaries of Santa Clara, the site earmarked for the Agri-Hub.	Have to wait for the results of the negotiations between DRDLR with the beneficiaries of Santa Clara, the site earmarked for the Agri-Hub.
	Facilitating the development of emerging farming projects to fully functional commercial farms in SBDM	13	Facilitate the processes to commercialise emerging farmer in the local municipalities of the SBDM	Facilitate the commercialisation of emerging farmers	1 x facilitation Meeting held (finding investors and implementation of business plans)	On Target	A meeting was held with the ENON farmers on the 29th of May with the CO-OP who will mentor the project. On the 5th and 6th of June a meeting was held between interested farmers, GF4GF, potential farmers and the CDA on training centers. The CO-OP and directors of the Soutvlei farm started with the implentation of the project.	Not applicable
To maximise utilisation of natural local resources to grow local green economy's in SBDM by 2020	By engaging Wind Energy developers by facilitating the community involvement as well as assisting the developers with government linked interventions in the commercial wind generation projects on all the different sites in the SBDM region	14	Facilitating the local community involvement, as well as assisting the developers with government linked interventions in the commercial renewable wind generation projects on all the different sites in the SBDM region	8 x Engagement meetings with government departments/ commercial developers or local communities	8 x Engagement meetings with government departments/ commercial developers or local communities not held. 2 x Wind Energy Engagement meetings with either government departments/ commercial developers or local communities	Not on target.	Due to the fact that Eskom does not want to sign the PPA's with the developers, no progress was made. On the 11th of April DOE announced that a decision will be made in August 2017 on the future of the successful bidders of the 37 projects county-wide. The bid processes for round 5 and more has been postponed until further notice.	The future of this project is depended on DOE and Eskom. The CDA will monitor the progress on a monthly basis.

Strategic Objectives	Strategy	Nr	Key Performance Indicator	Annual Target	Actual Achieved	State if Project is Complete, On Target, Not On Target, Not Started, Discontinued	Actual & reason for variance	State Brief Plan of Action to address Projects Not On Target and Not Started
To maximise utilisation of natural local resources to grow local green economy's in SBDM by 2020 (continued…)	By engaging Solar Energy developers by facilitating the community involvement as well as assisting the developers with government linked interventions in the commercial Solar generation projects on all the different sites in the SBDM region	15	Facilitating the local community involvement, as well as assisting the developers with government linked interventions in the commercial renewable solar generation projects on all the different sites in the SBDM region	4 x Engagement meetings with government departments/ commercial developers or local communities	1 x Solar Energy Engagement meeting held with either government departments/ commercial developers or local communities	Not on target	Due to the fact that Eskom does not want to sign the PPA's with the developers, no progress was made. On the 11th of April DOE announced that a decision will be made in August on the future of the successful bidders of the 37 projects county-wide. The bid processes for round 5 and more has been postponed until further notice.	The future of this project is depended on DOE and Eskom. The CDA will monitor the progress on a monthly basis.
	By engaging Hydro Energy developers by facilitating the community involvement as well as assisting the developers with government linked interventions in the commercial hydro generation projects on all the different sites in the SBDM region	16	Facilitating the local community involvement, as well as assisting the developers with government linked interventions in the commercial renewable hydro generation projects on all the different sites in the SBDM region	4 x Engagement meetings with government departments/ commercial developers or local communities	1 x Hydro Energy Engagement meeting held with either government departments/ commercial developers or local communities	Not on target.	The department of Water Affairs has not finalized the policy on the development on Hydros and no progress can be made until the policy has been finalized. 2 meetings were held with the communities and the developers on the 21st of April and the 29th of May 2017.	The CDA is in continuous contact wth the DWA and developers.
	By engaging Bio- & Natural Gas Energy developers by facilitating the community involvement as well as assisting the developers with government linked interventions in the commercial hydro generation projects on all the different sites in the SBDM region	17	Facilitating the local community involvement, as well as assisting the developers with government linked interventions in the commercial renewable Bio-& Natural Gas generation projects on all the different sites in the SBDM region	4 x Engagement meetings with government departments/ commercial developers or local communities	No meetings were held	Not on Target	The exploration has not been awarded to the proposed developers and the CDA is awaiting the anouncement in this regard. Correspondence between the stakeholders is available.	The CDA is in continuous contact wth the DWA and developers.
	By engaging Bio-Fuel Energy developers by facilitating the community involvement as well as assisting the developers with government linked interventions in the commercial hydro generation projects on all the different sites in the SBDM region	18	Facilitating the local community involvement, as well as assisting the developers with government linked interventions in the commercial renewable Bio-Fuel generation projects on all the different sites in the SBDM region	4 x Engagement meetings with government departments/ commercial developers or local communities	1 x Bio-Fuel Energy Engagement meeting held with either government departments/ commercial developers or local communities	Not on Target	This project was discontinued due to the fact that Government decided that it is not feasible.	Project will be removed in the 2017/18 plan.
	By engaging government departments and all the renewable energy commercial developers to facilitate the social intervention projects in all the renewable energy projects the SBDM areas	19	Engaging all the stakeholders and facilitating the local beneficiation processes for the social intervention projects of all the renewable energy projects all over the SBDM region	4 engagements with developers, government and stakeholders to ensure local beneficiation from the renewable projects in the SBDM region	2 engagements with developers, government and stakeholders to ensure local beneficiation from the renewable projects in the SBDM region held	Not on target	Meetings were held on the 12th of May and 8th of June with the Nojoli Windfarm on projects proposed and to be implemented as well as with service providers. Meetings with the IPP's were not held due to the fact that Government Officials and some of the IPP's were not availiable.	Meetings has been scheduled for July and August 2017
To positively contribute towards the up-skilling of the learners in SBDM and thereby improving their access to tertiary education.	By facilitating and monitoring the implementation of core subjects/courses in critical scarce fields of Maths and Science in the BCRM area	20	Facilitating and monitoring the implementation of core subjects/courses in critical scarce fields of Maths and Science in the BCRM area	4 of support programmes implemented	4 of support programmes implemented	On target	Classes were held on Fridays as from the 21st April 2017 to the 26th May 2017 at the center, Gill College in Somerset East. A workshop for facilitators were held at the center on the 17th of May 2017.	Not applicable

Strategic Objectives	Strategy	Nr	Key Performance Indicator	Annual Target	Actual Achieved	State if Project is Complete, On Target, Not On Target, Not Started, Discontinued	Actual & reason for variance	State Brief Plan of Action to address Projects Not On Target and Not Started
To positively contribute towards the up-skilling of the learners in SBDM and thereby improving their access to tertiary education (continued…)	Facilitate the establishment of 1 Maths & science centre in the BCRM	21	Facilitate the feasibility stage, and the implementations stage of the project	Establishment of 1 maths & science centre in the BCRM	Establishment of 1 maths & science centre in the BCRM achieved	On target	5 workshops were held on Fridays when cleasses took place. Project completed and operational.	Not applicable
		22	Facilitate the feasibility stage of a second Maths and Science Centre in the SBDM area	Establishment of a second 1 maths & science centre in the SBDM area	Establishment of a second 1 maths & science centre in the SBDM area not done.	Not on target	Centre not established. It will be operational in March 2018. The reason for the delay was that officials from the DOE were not available for implementation meetings.	Meetings will be held in July 2017 with the relevant stakeholders.
	To establish entrepreneurial activity	23	To facilitate the feasibility and implementation of a SWOP shop in the SBDM area	Establishment of a Swop Shop in the SBDM area	Establishment of a Swop Shop in the SBDM area	On target	Centers operational in BCRM, Kouga, SRVM.	Not applicable
To facilitate the construction of a new airport for the town of Somerset East	By constructing a new airport facility for the town of Somerset East (Runway/taxiways/ Apron/ Automated lighting)	24	Facilitating the construction and completion of the new Airport at the town of Somerset East (paving of internal road)	Completion of construction of new Airport at Somerset east (paving of internal road)	Completion of construction of new Airport at Somerset east (paving of internal road) completed	On target	The Airport was completed in Quarter 2	Not applicable
To facilitate the creation of a foundation for a new aerospace industry for the SBDM & SA by 2020	Development of a Business Plan to optimize the Graaff Reinet Airfield	25	Develop a Business Plan to optimize the Graaff Reinet Airfield	Business Plan fully developed	Business Plan not developed	Not on target	Meetings between Beyers Naude , CDA and potential investors were held in Graaf Reinett to discuss the business plan development. Factors were raised which highlights that a different approach is necessary.	This project will discontinued in 2017/18 financial year
	I identification of and facilitation of potential Aerospace manufacturing investments a in the Camdeboo & Blue Crane Municipal precincts	26	Identify and secure 4 potential business entities engaged for manufacturing investments in the Blue Crane Municipality	Secure 4 potential Aerospace and Renewable Energy manufacturing entities	No potential Aerospace and Renewable Energy manufacturing entities secured	Not on target	3 Meetings between Blue Crane Route municipality, CDA and potential investors were held in Somerset east to discuss potential projects and entities to secure.	Engagements will continue to indentify entities to secure
	Facilitating Artisan type training facilities in SBDM	27	Identify and secure 2 potential training facilitators to provide artisan training in the municipality of the Blue Crane	2 potential artisan training service providers secured	2 potential artisan training service providers not secured	Not on Target	The engagement with potential training facilitator did not take place due to the non-availabilty of the role-players.	This project will discontinue due to the non-availability of a project manager
	Facilitate, source funding & equipment for training of personnel for Somerset East Fire station	28	1 specialised aerospace fire training station completed for the Somerset East airport	1 specialised aerospace fire training station completed	1 specialised aerospace fire training held	On Target	The aviation training was held in Blue Crane Route and completed by end of June 2017.	Not applicable
	Establishment of International Air Cadet Pilot Programmes	29	Creation of an International Air Cadet Pilot Training Programme	Pilot programme successfully implemented	Pilot programme not implemented	Not on Target	The engagement with potential training facilitator did not take place due to the non-availabilty of the role-players.	This project will discontinue due to the non-availability of a project manager
	Grahamstown Airport Development	30	Develop a Business Plan to optimize the Grahamstown Airfield	Business Plan fully developed	Business Plan not developed	Not on Target	Meeting between Makana municipality, CDA and potential Investors held in Grahamstown on the development of the business plan. It was however identified that a different approach should be developed to achieve the objective.	A new strategy will be developed in the 2017/18 financial year to ensure that the objective can be realised.